

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 CIAE-00 DODE-00 NSAE-00

NSCE-00 SSO-00 USIE-00 INRE-00 FEA-01 ERDA-05 AID-05

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TRSE-00 FRB-03 /094 R

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TO AMEMBASSY BONN IMMEDIATE

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AMEMBASSY LONDON IMMEDIATE

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AMEMBASSY VIENNA IMMEDIATE

AMEMBASSY MADRID IMMEDIATE

AMEMBASSY ANKARA IMMEDIATE

AMEMBASSY WELLINGTON IMMEDIATE

INFO USMISSION OECD PARIS IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

USMISSION NATO IMMEDIATE

C O N F I D E N T I A L STATE 140564

E.O. 11652:GDS

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TAGS: ENRG

SUBJECT: IEA: PROPOSED AGREEMENT ON LONG-TERM COOPERATION

REF (A) ROME 08316; (B) STATE

1. DURING ITS JUNE 22 MEETING, IEA GOVERNING BOARD ENGAGED IN PRELIMINARY EXCHANGE OF VIEWS ON STANDING GROUP ON LONG-TERM COOPERATION'S (SLT) PROPOSED ELABORATION OF MARCH 20 GOVERNING BOARD DECISION (REF B). SLT CHAIRMAN (BOSWORTH) GAVE ORAL REPORT, EXPLAINING OVERALL STRUCTURE OF SLT PROPOSAL AND OUTLINING MAJOR UNRESOLVED ISSUES.

2. VIRTUALLY ALL DELEGATIONS COMMENTED IN GENERAL TERMS ON SLT REPORT BUT STRESSED THAT OPEN ISSUES STILL UNDER REVIEW IN CAPITALS AND THEIR VIEWS WERE STILL PRELIMINARY. AS EXPECTED, IEA PRODUCER COUNTRIES (UK, NORWAY, AND CANADA) INDICATED STRONG SUPPORT FOR MINIMUM SAFEGUARD PRICE CONCEPT (MSP) AS ELABORATED BY SLT. SOME NON-PRODUCING COUNTRIES (DENMARK, SWITZERLAND, SPAIN, IRELAND) ALSO INDICATED THAT MSP CONCEPT IS BASICALLY ACCEPTABLE BUT STRESSED THE NEED TO BALANCE IT WITH EFFECTIVE COMMITMENTS IN PROJECT-BY-PROJECT COOPERATION (CHAPTER III A. OF ANNEX I TO SLT REPORT) AND UNDERTAKINGS ON

NON-DISCRIMINATING ACCESS AND PRICING POLICIES (CHAPTER V).

3. GERMAN AND JAPANESE POSITIONS WERE CAREFULLY NUANCED AS BOTH ARE OBVIOUSLY LEAVING AS MUCH NEGOTIATING ROOM AS POSSIBLE ON ISSUES OF MSP LEVEL, ETC. ITALIAN POSITION WAS MOST NEGATIVE AS ITALIAN DELEGATION SAID THAT GOI IS NOT NOW CONVINCED THAT SLT PROPOSAL PROVIDES EQUITABLE BALANCE OF COSTS AND BENEFITS FOR COUNTRIES SUCH AS ITALY WHO WILL REMAIN HEAVILY DEPENDENT ON IMPORTED OIL.

4. SEVERAL DELEGATIONS ALSO COMMENTED IN SOME DETAIL ON CHAPTER V (ELIMINATION OF BARRIERS TO ENERGY DEVELOPMENT AND COMMITMENTS TO NON-DISCRIMINATORY TREATMENT

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AMONG IEA COUNTRIES). DANES, SWISS, AND ONE OR TWO OTHER DELS SPOKE STRONGLY ON NEED FOR EFFECTIVE COMMITMENTS IN THIS AREA OF LONG-TERM PROGRAM. SEVERAL OTHER DELEGATIONS, INCLUDING SOME NON-EXPORTERS SUCH AS GERMANY AND TURKEY, CAUTIONED AGAINST TRYING TO GO TOO FAR IN CHAPTER V. THEY EMPHASIZED THE CONSIDERABLE POLITICAL AND OTHER PROBLEMS INHERENT IN ANY SUCH COMMITMENTS WHICH TEND TO RESTRICT NATIONAL CONTROL OVER

THE DEVELOPMENT AND EXPLOITATION OF DOMESTIC RESOURCES.

5. US DEL (ENDERS) STRESSED NEED TO MOVE AHEAD PROMPTLY TO IMPLEMENT MARCH 20 DECISION. HE POINTED OUT THAT IT IS IMPORTANT TO IEA CREDIBILITY BOTH WITH OUR OWN PUBLICS AND WITH PRODUCERS THAT WE MEET THE JULY 1 DEADLINE AS LAID DOWN IN THE IEP AGREEMENT ITSELF AND CONFIRMED IN BOTH THE MARCH 20 DECISION AND IEA MINISTERIAL COMMUNIQUE. HE SAID THAT GOVERNING BOARD SHOULD AIM FOR AGREEMENT ON A REFERENDUM BASIS IN JUNE 30 MEETING ON ALL ELEMENTS OF LONG-TERM COOPERATION, AS ELABORATED BY SLT, INCLUDING MSP. HOWEVER, RATHER THAN TRYING TO AGREE BY JULY 1 ON THE PRECISE LEVEL OF THE MSP, WE SHOULD AGREE ON PROCESS THROUGH WHICH ACTUAL LEVEL OF MSP WOULD BE SET BY SPECIFIED DATE LATER THIS YEAR, SAY OCTOBER 1. IN REPLY TO COMMENTS THAT DECISIONS ON OTHER MSP ISSUES AND OTHER ELEMENTS OF LONG-TERM PROGRAM ARE DIRECTLY TIED TO MSP LEVEL, ENDERS SUGGESTED THAT OUR JULY 1 DECISION WOULD INCLUDE INFORMAL IDENTIFICATION OF A RANGE WITHIN WHICH SPECIFIC LEVEL WOULD LATER BE FIXED.

6. IN SUMMARIZING GOVERNING BOARD DISCUSSION, CHAIRMAN DAVIGNON STRESSED:

(A) IEA IS ALREADY COMMITTED TO HAVE A PROGRAM OF LONG-TERM COOPERATION AND COUNTRIES CANNOT ESCAPE NEED TO COME TO DECISION ON ISSUES POSED; AND

(B) DELEGATIONS SHOULD COME TO JUNE 30 MEETING PREPARED TO TAKE DECISIONS NOT JUST TO ENGAGE IN FURTHER DEBATE.

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7. FOR IEA CAPITALS: IN YOUR DISCUSSIONS OF LONG-TERM PROGRAM WITH HOST GOVERNMENT OFFICIALS OVER THE NEXT TWO WEEKS, YOU SHOULD DRAW ON THE ABOVE SUMMARY OF USG VIEWS ON TIMING AND PROCEDURE, STRESSING NEED FOR COMPLIANCE WITH JULY 1 TIMETABLE. PLEASE REPORT PROMPTLY ALL SIGNIFICANT COMMENTS RECEIVED CONCERNING HOST GOVERNMENT'S POSITIONS ON LONG-TERM PROGRAM. KISSINGER

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